



Bathurst City Council

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6 June 2003

The Chairman
Inquiry into Local Government and Cost Shifting Committee
Parliament House
CANBERRA ACT 2600

Dear Sir

Re: Cost Shifting

Thank you for providing Bathurst City Council an opportunity to provide an additional submission, due to our inability to attend the Hearing in Sydney on 28 April 2003.

I have read the Local Government and Cost Shifting Hansard with interest and find that numerous issues related to Bathurst City Council have not been addressed fully.

The attached report in relation to the effect of cost shifting on Bathurst City Council details some of Council's concerns.

Additionally, at the risk of duplicating submissions that have been received by the Committee, I also attach a copy of the Local Government Managers Australia NSW Division, Position Paper on Continuing Reform and Improving Local Government, which addresses many of the issues confronted by Bathurst City Council.

I would welcome an opportunity to address the Committee on these critical issues for Local Government, should a future opportunity be available.

Yours faithfully


P Perram
GENERAL MANAGER

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House of representatives Standing Committee on
Economics, Finance and Public Administration

Submission No: 396

Date Received: 16/6/03

Secretary:

Bathurst - All you ever wanted

Reference: PP:WM :
Enquiries: Mr P Perram 02 6333 6201

2 INQUIRY INTO LOCAL GOVERNMENT AND COST SHIFTING (16.00031) - **Item prepared by Phillip Perram**

Recommendation: That Council:

- (a) Note the cost shifting inquiry submission; and
- (b) Seek from both the Australian Local Government Association and NSW Local Government Association details of proposals and initiatives to increase local government authorities taxation base, reduce unfunded mandates and increase in user charges.

Report:

PREAMBLE

There are 698 Council across Australia, employing approximately 140,000 people, collecting in excess of \$6 billion per year in rates and responsible for 639,197 kilometres of road.

"Local government holds a very important place in the Australian system of government and is the mechanism through which local communities advocate and seek expression for commonly held views and aims.

Local government services the community as:

- A local representative government, providing a voice for community aspirations and concerns;
- A policy maker, setting local agendas and priorities;
- An advocate, representing local communities to other spheres of government and various community based agencies;
- A regulator, in areas such as construction controls, public health and the environment;
- A planner, overseeing the development of local planning frameworks;
- A co-ordinator, ensuring integrated, effective and efficient service delivery to the local community;
- A service deliverer, providing social and physical infrastructure;
- An agent, providing services to the community on behalf of other spheres of government. and
- An information broker, between suppliers and consumers, across all spheres of government, business, community organisations and local residents."

(Australian Local Government Association)

General Manager's Report to the Policy Committee, 07/05/2003.

The 2001 National Agenda for Australian Local Government has defined the roles and responsibilities and recognition of local government as:

"Local Government is the expression of Australia's community to community democracy.

The rights of citizens to the democratic pursuit of community values through elected Local Government must be protected in the Australian constitution.

The diversity of Local Government in its approaches to public policy is a reflection of the areas and communities it serves. It mirrors differences in history, geography, patterns of settlement, local economies and community values. Variations in the structure and activities of Local Government from place to place must therefore be expected and valued as a strength of the system of Government."

INTRODUCTION

The Minister for Regional Services, Territories and Local Government has asked the Standing Committee on Economics, Finance and Public Administration to inquire into:

Cost shifting onto local government by state governments and the financial position of local government. This will include an examination of:

1. Local government's current roles and responsibilities.
2. Current funding arrangements for local government, including allocation of funding from other levels of government and utilisation of alternative funding sources by local government.
3. The capacity of local government to meet existing obligations and to take on an enhanced role in developing opportunities at a regional level including opportunities for councils to work with other councils and pool funding to achieve regional outcomes.
4. Local government expenditure and the impact on local government's financial capacity as a result of changes in the powers, functions and responsibilities between state and local governments.
5. The scope for achieving a rationalisation of roles and responsibilities between the levels of government, better use of resources and better quality services to local communities.
6. The findings of the Commonwealth Grants Commission Review of the *Local Government (Financial Assistance) Act 1995* of June 2001, taking into account the

views of interested parties as sought by the Committee.

The inquiry was to be conducted on the basis that the outcomes would be budget neutral for the Commonwealth.

THE NATURE OF COST SHIFTING AND DECLINE OF STATE SPECIFIC PURPOSE PAYMENTS

The Australian Local Government Association has researched the nature and decline of state specific purpose payments and as part of their submission to the Cost Shifting Inquiry have concluded:

From a local government perspective, cost shifting can be broadly said to occur when the burden of the cost of provision of a service are transferred to local government from another sphere of government without a supporting revenue stream. This can occur under a variety of circumstances.

The following table indicates the diversity of circumstances in which cost shifting to local government from has occurred. Each of these practices has placed significant cost pressures on council's budgets.

In some instances, the transfer of the responsibility of the services is explicit, and direct. For example where councils working in partnership with other spheres of government agree to be a joint funder, and provider of a service, and yet are required to contribute high and higher levels of funding due to the failure of other partner to maintain an ongoing commitment to maintain a service at a particular level.

In other instances the cost shift is quite subtle. For example, where there is a demonstrable community need such as the provision of accessible transport infrastructure and other spheres of government fail to acknowledge a shared responsibility for this service leaving local government to pick up the tab.

Cost shifting occurs when, (but not exclusively limited to) circumstances where:

1. Local government is required to provide services that had been previously provided by the other spheres of government;
2. The requirement of other spheres of government to provide concessions and rebates and with no compensation payment.
3. Services are formally referred to, and/or are assigned to local government through legislative and other State and/or Commonwealth instruments;
4. Local government is required to be the sole provider of essential/important local services that clearly contribute to local, regional, state and national public good;
5. Local government is required to be the sole provider of new and innovative services that have no historical funding precedent.

6. Local government is required to 'pick-up' services as a result of the direct transfer of 'ownership' of infrastructure from another sphere of government.
7. The imposition of government policies that require local government to undertake costly compliance activity.
8. Failure to provide for indexation of fees and charges that local government is permitted to apply for services prescribed under state legislation or regulation.

1	Local government is required to provide services that had been previously provided by the other spheres of government	The provision of aged and children's services was initially funded through Federal and State Governments initiatives (usually in the form of Specific Purpose Program (SPP) funding), albeit often requiring local government matching funding. Over time Commonwealth and State funding has been reduced in real terms. Funding has not been adequately indexed, or grown to meet increased demand that has resulted from population growth. To maintain/grow these important services in their local communities in line with demand, local governments have been forced to significantly increase their funding contributions, often at the expense of other services.
2	The requirement of other spheres of government to provide exemptions, concessions and rebates to pensioners, low income earners, disability support recipients amongst others, with no compensation payment.	States, and increasingly the Commonwealth, often require local government to provide exemptions, concessions and rebates to pensioners, low income earners, disability support recipients amongst others, with no compensation payment. These impose direct costs to local government as well as the cost of compliance and/or administration.

3	<p>Services are formally referred to, and/or are assigned to Local government through legislative and other State and/or Commonwealth instruments</p>	<p>There are numerous examples where State and Commonwealth legislation and/ instrument require local government to undertake service provision, including regulatory functions. These cover such services as food inspection, enforcement of building and planning controls, environmental management functions etc. These requirements are not accompanied by funding and are a direct cost to local government. Under existing arrangements these costs can only be met by own source revenue or levying business. (The Commonwealth Grants Commission in their <i>Review of the Operation of the Local government (Financial Assistance) Act 1995, June 2001, identified this practice as 'raising the bar' and/or 'devolution'.</i>)</p>
4	<p>Local government is required to be the sole provider of essential/important local services that clearly contribute to local, regional, state and national public good.</p>	<p>The provision of local services and infrastructure such as local and regional roads, environmental management services and community services are often essential/ important activities that, when viewed from a whole-of-network perspective ⁷ provide significant local, regional, state and national public good. The provision of these services and infrastructure should not therefore be the sole responsibility of local government. They are clearly a collective responsibility and should be jointly funded by all spheres of government.</p> <p>⁷For example the national transport network or a national catchment management framework,</p>

5	Local government is required to be the sole provider of new and innovative services that have no historical funding precedent	The provision new and innovative services and infrastructure such as telecommunications and information technology (IT) has emerged as a critical issue in all communities. The provision, for example to access to Internet services in rural communities is a major issue for and in many cases a major cost to local government. As there has not been a historical precedent for government funding of this new innovative service, it has fallen upon local government to be the provider of these local services. However, local government believes that this type of investment clearly contributes to state and national equity objectives, and should therefore not be the sole responsibility of local government.
6	Local government is required to 'pick-up' services as a result of the direct transfer of 'ownership' of infrastructure from another sphere of government	This type of cost shifting occurred, for example when 'Commonwealth Aerodromes' were transferred to local government, albeit with initial financial incentives. This transfer gave no consideration to the capacity of councils, particularly in remote and rural to sustain the new arrangements. The choice for councils appeared to be one of either accepting the opportunity or loosing the service to the community. Councils now are responsible for the funding of these facilities without the financial or administrative capacity to sustain these services.
7	The imposition of government policies that require local government to undertake costly compliance activity.	The implementation of the National Competition Policy agreements was a significant and costly exercise for local government. These direct costs to local government were not compensated not supported in all states with an appropriate share of the national competition payments to States.

General Manager's Report to the Policy Committee, 07/05/2003.

8	Failure to provide for indexation of fees and charges that local government is permitted to apply for services prescribed under state legislation or regulation	In some States, charges that local government may apply for the provision of some regulatory services are not indexed. As the real cost of the service has increased, the additional costs have been gradually been absorbed by local government.
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COST SHIFTING FROM STATES TO LOCAL GOVERNMENT

Due to the diversity of the circumstances in which cost shifting occurs, the complexity of accurately identifying all occurrences and the lack of adequate data, quantification of the full cost of cost shifting to local government is extremely difficult.

However, it is clear that cost shifting over several decades has placed considerable pressure on local government finances. It has also resulted in a number of undesirable outcomes, including, according to the *Commonwealth Grants Commissions* '...declining levels of infrastructure maintenance and replacement, and increased levels of user charges'.

A base line indicator of the cost to local government resulting from cost shifting is the change in Specific Purpose Grants (SPPs) from States to local government overtime. States do not pay General Purpose Grants (GPP), and therefore SPPs are the only source of State funding to local government. Changes in the quantum, and the conditions under which they are paid have a significant impact on council budgets. Cost shifting from other sphere of government to local government can often be tracked back to service areas covered by SPPs.⁹

State governments have used SPPs for a number of purposes. These are:

- to fund programs that reflect their own priorities as a government, and
- a vehicle to influence the priorities of local government.

In the first instance, where States decide to provide funding to local government to 'deliver' programs¹⁰ that reflect their own priorities, it is reasonable to expect that States would provide full funding for these services. Failure to do so would be a direct cost shift. This is consistent with federal principles.

However, in most instances State SPPs have been used in the latter sense, where States have required matching funding, and/or other conditionality which causes local government to jointly fund these programs. The requirement that local government, in effect must use own resource for activities that may be considered to be outside of their normal purview, or their direct 'traditional' area of responsibility, has placed significant pressures on local government budgets. This is also a serious form of cost shifting;

particularly if States decrease their contribution in real terms over time, and/or do not increase levels of funding to meet increased demand.

According to the Commonwealth Grants Commission the level of State SPPs has increased over time, but has fallen as a proportion of local government revenue. State SPPs have fallen as a proportion of local government revenue from 14.8% in 1974-75 to only 7.1% in 1997-98, or by over 50% over the past few decades.

TABLE 2 LOCAL GOVERNMENT REVENUE SOURCES 1974-75 TO 1997-98

Year	Own-source Revenue			Transfers		Total Revenue
	Municipal Rates	User Charges	Other Revenue	Common-wealth	State	
1974-75	(\$m) 2 842	703	381	550	779	5 256
1997-98	(\$m) 5 620	2 947	1 052	1 443	848	11 911
Share of total revenue						
1974-75	(%) 54.1	13.4	7.2	10.5	14.8	100.0
1997-98	(%) 47.2	24.7	8.8	12.1	7.1	100.0
Average Annual growth						
1974-75 to 1997-98	(%) 3.0	6.4	4.5	4.3	0.4	3.6

Source: Commonwealth Grants Commission – Review of the Operation of the Local government (Financial Assistance) Act 1995, June 2001

Table 2 shows, that for the period 1974-75 to 1997-98 average annual growth rates for sources of local government revenues were: Municipal rates 3%, User Charges 6.4%, Other 4.5%, Commonwealth 4.3% and State 0.4%.

The failure of State SPPs to maintain parity with the growth rate of local government own source revenue, or even Commonwealth payments to local government, represents a significant transfer of responsibility to local government from states.

This process has lead to a distortion of local government expenditure profile.

'Analysis of local government expenditure over the period 1961 - 62 to 1997 - 98 shows that the composition of services being provided by local government has changed markedly over the past 30 - 35 years. Local government is increasingly providing human services at the expense of tradition property - based services (particularly roads).

*Some changes are the result of changing priorities of local government; others are imposed on them by other spheres of government. The general broadening of local government functions has implications for local government finances."*¹¹

⁸ Review of the Operation of the Local government (Financial Assistance) Act 1995, 'Commonwealth Grants Commission June 2001

⁹ Under this analysis of SPPs no attempt has been made to separate capital and recurrent expenditure. To

ascertain an accurate appreciation of the financial impact of changes to SPPs it is recommended that further work be done. For the purposes of this submission it is sufficient to notes that States grants for capital items do not make ongoing expenses such as provision for depreciation, and therefore is a source of cost transfer to local government over time.

¹⁰ As an 'agent'

¹¹ Commonwealth Grants Commission, *Review of the Operation of the Local government (Financial Assistance) Act 1995*, June 2001 page xiv

BATHURST CITY COUNCIL SUBMISSION

Council's submission to the Cost Shifting Inquiry reflected expenditure areas rather than provide a detailed analysis of costs. The submission to the Cost Shifting Inquiry is:

"Name: Bathurst City Council

Population size: 30,307

Geographic size: 240 square kilometres

Current budget: \$71,026 million

1. **Any relevant demographic information:** Bathurst is a city with a population of approximately 31,000 and is Australia's oldest inland city. Bathurst offers a full range of amenities including Charles Sturt University, TAFE, public and private high schools, base hospital and excellent social, community and sporting facilities.
2. **Overview of historical development of the council.** Bathurst was declared a City in 1885. As the City has grown, boundaries have been extended to provide land for the City's growth.
3. **Is the council member of a regional organisation of councils? Yes.**
Which? CENTROC – Central West Regional Organisation of Councils.
4. **Outline any contract works council has undertaken for any state, federal or other agency during 2001/02 and its value.** Council constructed Ben Chifley Dam with the total contract value of \$30 million. Council was required to contribute \$15 million or 50% of the construction cost. This was completed in 2001/2002.
5. **Outline any activity council has undertaken which would not normally be part of council activities, or traditionally has been provided by Federal or State Government during 2001/02 and its value.** See attached list (in conjunction with Item 7).
6. **Does the council believe that devolution of services over the last ten years has placed additional financial burdens on the council?**

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Yes.

7. **Outline what services have been devolved and approximate annual cost and income.** See attached list dissected into various functions of Council. No annual cost figures have been estimated.
8. **Outline costs incurred by council in meeting federal and state compliance/administrative requirements.** Council has not carried out an estimate of costs incurred by Council for compliance of State and Federal administrative requirements.
9. **Has the council had to employ additional staff to provide devolved services or meet additional compliance /administrative requirements? Yes. How many? It is estimated that Council has employed approximately 10 to 15 additional staff.**
10. **Outline any council services that could be better provided by another sphere of government or the private sector.** Service areas that could be provided by another centre include cultural, recreational and child care facilities.
11. **Outline any services currently provided by other spheres of government that could be better provided by local government.** Council would develop a fairer and more equitable system of the dissection of annual tax revenue to ensure all Councils receive 2% previously guaranteed.

The following areas of Bathurst City Council's expenditure reflects cost shifting.

ENGINEERING FUNCTIONS

- ◆ Load Based Licensing - to self fund the EPA.
- ◆ Water Licensing - the State Water component of the Department of Land and Water Conservation will be externally funded.
- ◆ Waste Minimisation.
- ◆ RTA single limitation contracts. The RTA has devolved to Council its own time consuming compliance mechanisms whilst enabling it to downsize, whilst getting a cheaper service delivery.
- ◆ Road Safety Officers. Council funds this position under the threat of not receiving RTA grant funds.
- ◆ Flood Mitigation. This is more of a Commonwealth driven shift of funding responsibility to local government.
- ◆ Flood levy funding
- ◆ Water and sewerage capital works - subsidy to back log works only
- ◆ Copy of Water Charges - Water Act Amendments
- ◆ Power of Entry - Water charges - recently restricted
- ◆ Trees under power lines
- ◆ Cost shifting Public Works Department and Water Resources to Local Government particularly in the Tweed, Richmond, Clarence Valleys
- ◆ Storm Water Management
- ◆ Storm Water Extension Officer
- ◆ Graffiti on private land

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- ◆ Heavy vehicle size and weight increases with no commensurate funding increases
- ◆ Regional Roads – previously main roads

GOVERNANCE FUNCTIONS

- ◆ Additional requirements legislated in the 1993 Local Government Act
- ◆ Animal control
- ◆ Multiple appeal processes of ICAC, Ombudsman, Department of Local Government, Administrative Tribunal, FOI, etc
- ◆ On site storage legislation
- ◆ The Local Government Act has created additional access rights to information for members of the public, in particular Section 12 of the Local Government Act.
- ◆ Constitutional Referendum. The 1993 Act requires that for any changes to wards or boundaries, the number of Councillors, or how the Mayor obtains office; must be resolved by way of constitutional referendum. The cost of a referendum is similar to the cost of holding elections.
- ◆ The Local Government Act required that land be classified as either operational or community. This caused a cost on Council, however, I believe that it was probably covered in the initial set up costs to which the State Government did give a marginal rate increase at the time of introducing the 1993 Act.
- ◆ The Act at Section 36 requires plans of management for community land. The establishment of these plans is a cost to Councils.
- ◆ Senior Staff. I note at Sections 334 and 337 that there are requirements with respect to senior staff and contracts. My experience with respect to the change in this requirement is that Councils have tended to pay more for senior staff than they used to pay due to the introduction of five year fixed term contracts.
- ◆ In 1993 the Act enshrined within itself that it needs to be reviewed every five years. Section 747 of the Local Government Act. This in itself generates costings as Councils will be expected to respond.
- ◆ The introduction of the Companion Animals Act 1998. The Dog Act of 1966 transferred the role of responsibility of registration and management of dogs from the Police to Councils. The responsibility and cost was further exacerbated in 1998 when the Companion Animals Act imposed more responsibility on Councils – without any financial compensation. The net cost to Orange City for management of the Companion Animals Act for 2002/03 is \$260,180.

FINANCIAL FUNCTIONS

- ◆ Policing of Events. Significant events of all types, including car racing at the Mount, are a major source of economic benefit to regional cities. This is also now a user pays activity.
- ◆ Asset Management. Although this is good management practice, it has meant that local government has had to re-deploy resources to adequately address the issues. Rate pegging has not allowed Council to generate additional funds to readily accommodate the additional resources.
- ◆ Public Liability. The courts, the legal fraternity, and the lack of, or slow response by Government has increased the costs of providing local government services “in good faith”, in the areas of premiums/excess, processing claims/evidence and more resources required in checking assets for their condition.
- ◆ The Training Guarantee Levee has previously mandated the percentage of existing funds toward training activities.
- ◆ Fire Services. There has been rapid increase in local government contributions to both the Rural Fire Service and the Board of Fire Commissioners.

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- ◆ Electricity charges
- ◆ Street lighting
- ◆ Insurance – particularly related to GST and sales tax charges
- ◆ GST and sales tax
- ◆ Financial Institution duty
- ◆ Pensioners rebate
- ◆ Financial Assistance Grants
- ◆ Local Government Assistance Grants (State funding)
- ◆ Surveillance cameras
- ◆ Parking Officers
- ◆ Section 611 charges
- ◆ Nonfeasance and malfeasance
- ◆ Maternity leave
- ◆ Statutory setting of fees
- ◆ Fuel tax in the Central West
- ◆ Advertising private works. Section 67 requires advertisement of any private works undertaken to which a less than commercial price is charged. This has been a minimal matter for Bathurst City Council but across the industry may have created costs in terms of advertising.

GENERAL FUNCTIONS

- ◆ Occupational Health and Safety compliance cost.
- ◆ Work Cover is now run on a user pays basis, in that it is to be self-funding from fines.
- ◆ Emergency Management. Whilst Council is not the combat agency it does provide the bulk of resources to the response effort.
- ◆ Religious Organisations do not pay rates.
- ◆ State Emergency Service
- ◆ Independent assessors for development applications
- ◆ Dental, medical and hospital services attractions
- ◆ National Competition Policy funding distribution
- ◆ Section 402 requires the development of management plans.
- ◆ Annual Report. Section 428 of the Local Government Act requires that an extensive Annual Report be completed including statement of environment report that links over to the EPA Act.
- ◆ Alcohol Free Zones. Sections 642 and 643 deal with street drinking and the creation of alcohol free zones.

ENVIRONMENTAL FUNCTIONS

- ◆ State of the Environment Report
- ◆ Salinity management
- ◆ Waste Minimisation Act requirements for garbage disposal including 60% reduction in landfill
- ◆ Vegetation Management
- ◆ Land and Environment Court decisions contrary to Council decision which result in costs to the Council
- ◆ Protection of the Environment Operations Act. This is an Act that is administered by a number of government departments. In order to fully comply and implement it properly, Council had to employ an Environmental Officer.
- ◆ Septic tanks"

Council's submission was used by CENTROC (copy attached) to support their submission.

Of particular relevance to the issue of cost shifting and future integrity of Local Government finances are Chapters 3 and 4 of the Australian Local Government Association's submission to the Cost Shifting Inquiry (copy attached).

Salient points made by the Australian Local Government Association are:

- Local government taxes are a stable revenue base, however, they do not grow at a rate displayed by other taxation regimes and they are constrained by other spheres of government. This kind of cost shifting significantly contributes to a worsening of the Vertical Fiscal Imbalance occurring between the spheres of government.
- It should be understood that in addressing the issue of local government revenue and vertical fiscal imbalance, the issue of cost shifting itself is not addressed.
- Cost shifting is a further distortion of local financing to that of vertical fiscal imbalance. Whilst the two issues are separate they are also interlinked, due to the longevity and embedded nature of cost shifting now within local government finances."

CHART 2
Taxation as a proportion of GDP by the spheres of Government
1901/02 to 1999/00

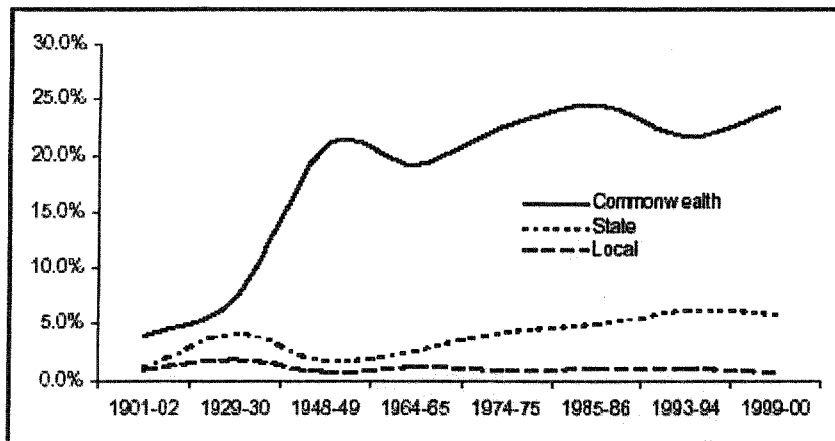


Chart 2 illustrates the manner in which the Commonwealth has increased its share of Australia's growing taxation base since Federation.

Financing this emerging gap will be problematic for local government it is faced with the choices of:

- cutting back on the provision of unfunded mandates imposed by the Commonwealth and the States (although some of these may be difficult as they are legislated and difficult to cut back);
- increasing rate collections above average (a basic shifting of the tax burden from the Commonwealth and States to local government); or
- increasing user charges (the level of cost recovery in local government is already quite high particularly when compared with other levels of Government and presents limited opportunities).

COST SHIFTING MEETING

Council was unable to attend the Cost Shifting roundtable meeting held at Hunters Hill on Monday, 28 April 2003 but was unable to attend due to the cancellation of flights (fog).

Copies of transcripts have been requested. An opportunity for supplementary submissions is available should the meeting outcomes require Council's further input.

Council had prepared, for the Cost Shifting Inquiry, four specific examples of cost shifting as well as comparative percentages, which illustrate the effect on Bathurst City Council.

The four examples are:

- (a) Board of Fire Commissioners - A State Government service.
- (b) Insurance - A combination of a State Government authority (WorkCover) and independent private companies.
- (c) Companion Animals Act - State Government legislation lead change.
- (d) Policing Costs - A State Government responsibility/service.

Board of Fire Commissioners

Local Government payments to the New South Wales government are required, by legislation, to be 13.5% of the funds necessary to operate the fire brigades.

The State Government sets and adopts the Board of Fire Commissioner's budget.

The State Government charges for fire brigades have increased from \$51,155 in 1998/1999 to an estimated \$152,000 in the 2003/2004 budget.

The attached table and graphs illustrate that during the six-year period the

General Manager's Report to the Policy Committee, 07/05/2003.

contributions to the Board of Fire Commissioners have totalled \$683,774. If the contributions were pegged at the same level as Local Government rating the contribution would have been \$325,508 during the period.

Council has lost \$358,266 from its own projects during this period.

Insurance

The attached table and graphs indicate that the cost of insurance for Council has increased from \$466,135 in 1998/1999 to \$1,201,806 in the 2003/2004 Management Plan. the State Government, through WorkCover, "controls" the workers' compensation premiums and, through legislation, the legal and court response.

In the 2003/2004 year \$671,870 is required to meet the gap between the anticipated insurance costs and the costs limited to rate pegging increases, similarly \$1,575,597 during the period has had to be found from Council's existing works and services to fund the increase.

Companion Animals Act

In 1998 the State Government assented the Companion Animals Act. This, as evidence on the attached table and graphs, significantly varied Council's costs. In the 1996/1997 financial year the companion animal control expenditure was \$81,248, the estimated cost of the Companion Animals Act in the 2003/2004 financial year is \$158,198.

Additionally, to highlight the significant legislative variation, in 1996/1997 Council derived \$12,190 or 15% of costs from registration fees, however, in the 2003/2004 financial year Council anticipates receiving \$10,000 or 6% of costs from registration fees.

During the period Council has been required to find in excess of \$305,000 from other projects and in the 2003/2004 year alone is required to find \$60,491 in addition to the rate pegged expenditure from 1996/1997.

Policing

In 1999 the hourly cost for the provision of Police to events was \$35 per hour or \$60,480 for the event.

For the same event in 2002 Policing costs had escalated to \$81.40 per hour and cost the event \$166,056.

The real cost, following significant representations during the past 12 months, are anticipated to reduce to \$61.50 per hour for the 2003 event.

The attached table and graphs highlight the significant increase in costs.

Comparative Percentages

The attached table and graph relate to a comparison of rate pegging, CPI, Award increases and the four specific examples sighted above and are perhaps the most telling indicator of the reason why many Local Government authorities today are experiencing extreme financial difficulty.

Both Award and CPI increases are several percentage points above rate pegging. This indicates that all works and services are required to gain efficiency or be reduced in skill and scale on an annual basis.

When significant variations occur, such as the four examples above, major reductions in works and services or use of alternate funds are required. The severity of the impact can perhaps be best illustrated as follows:

Rate Pegging and Expenditure Increases Since 1998/1999 (example of effect only)

Item	Amount
Board of Fire Commissioners	100,845
Insurance	738,671
Companion Animals Act	76,950
Additional Staff (Stormwater Extension Officer, GST Officer, Road Safety Officer, Weight of Loads, Occupational Health & Safety, Environmental Officer)	400,000
Flood Mitigation formula change	100,000
Policing Costs	100,000
TOTAL	1,516,466
Rate pegging increases (12.9%)	1,419,000
NET LOSS, EXCLUDING CPI	97,466

Council, in the 2002/2003 financial year, had less funds available for its priorities and projects than in 1998/1999 financial year due to cost shifting and rate pegging.

DEATH BY 1000 CUTS

The insidious nature of cost shifting and rate pegging only becomes apparent in the medium and long term when the financial integrity of the Council is threatened and the assets deteriorate to a clearly unacceptable level.

Once again in the 2003/2004 Management Plan Council will require cuts to expenditure in most works and services to balance its budget and meet the imposed legislative requirements.

This annual regime of forced cuts to works and services is necessary to fund priorities established by other spheres of government. It results in a reduction in the discretion of the democratically elected council, an inability to maintain existing and meet "new" works and services required in the local community and threatens the financial viability of local government authorities.

This ongoing degradation of the financial integrity of local government authorities will result, for many councils, in an irreversible spiral to financial collapse.

Clearly Council and Local Government, in general, requires a significantly increased taxation base, a reduction in the unfunded mandates and an increase in user charges.

Yours faithfully

P Perram
GENERAL MANAGER